

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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P 201718Z JAN 75

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC PRIORITY 7045

C O N F I D E N T I A L ATHENS 0513

EXDIS

E.O. 11652: GDS

TAGS: EFIN, GR

SUBJECT: FINANCE MINISTER'S COMMENTS ON DEVALUATION OF  
DRACHMA

REFS: (A) ATHENS 9074, 12/23/74; (B) ATHENS 279

1. IN COURSE OF AMBASSADOR KUBISCH'S JANUARY 20 CALL ON  
FINANCE MINISTER DEVLETGLOU, THE MINISTER CAME OUT STRONGLY  
AGAINST A LARGE ONE-TIME DEVALUATION (E.G., 20-30 PERCENT)  
FOR SEVERAL REASONS:

(A) IN WORLD OF FLUCTUATING RATES, THE MOVEMENT OF CURRENCIES  
AGAINST EACH OTHER FOLLOWING SUCH A DEVALUATION WOULD BE  
UNPREDICTABLE;

(B) GREECE'S EXPORT STRUCTURE DEPENDS HEAVILY ON COMPLEX  
SYSTEM OF INTEREST REBATES TO EXPORTERS. BEFORE ANY LARGE  
DEVALUATION COULD BE EFFECTIVE, REBATE SYSTEM WOULD HAVE  
TO BE DISMANTLED.

(C) FINANCE MINISTER CITED GENERAL PRINCIPLE THAT IN ORDER  
FOR DEVALUATION TO BE EFFECTIVE THE PRICE ELASTICITIES OF  
IMPORTS AND EXPORTS MUST ADD UP TO MORE THAN ONE. OTHERWISE  
THE COUNTRY'S TRADE POSITION COULD DETERIORATE. IT IS  
QUESTIONABLE WHETHER GREECE MEETS THIS CRITERION.

2. INSTEAD OF DEVALUATION FINANCE MINISTER FAVORS SYSTEM  
OF MONTHLY EXCHANGE RATE ADJUSTMENTS, AND BELIEVES GOG MAY  
MOVE TO THIS SYSTEM IN NEAR FUTURE.

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3. COMMENT: FINANCE MINISTER DID NOT SAY WHETHER HE FAVORS

MAINTAINING DRACHMA LINK WITH DOLLAR OR  
WHETHER - LIKE DEPUTY BANK OF GREECE GOVERNOR  
KYRIAZIDES (SEE REF A) - HE WOULD FAVOR ABANDONING DOLLAR  
LINKAGE FOR PARITY AGAINST COEFFICIENT OF COMBINED EEC  
CURRENCIES.  
KUBISCH

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, DEVALUATIONS, DIPLOMATIC DISCUSSIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 JAN 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** SmithRJ  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Unique ID:** 00  
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**Film Number:** D750021-0361  
**From:** ATHENS  
**Handling Restrictions:** n/a  
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**Subject:** FINANCE MINISTER'S COMMENTS ON DEVALUATION OF DRACHMA  
**TAGS:** EFIN, GR, (DEVLETOGLOU, EVANGHELOS)  
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